



The Grammar of Stocks and Flows

The Business Model Canvas helps you identify the Key Resources you need to deliver your Value Propositions, as well as the Key Activities required to increase those Key Resources. Consider resources as the nouns of your business and activities as the verbs. Can you imagine reading a novel with only nouns or with nouns and verbs whose connections to each other aren't clear?

We use the graphical language of stocks and flows to show the connections among activities and resources. We've been displaying these rather intuitive symbols in other videos. Now, I'll explain the logic behind them.

Boxes represent resources. Resources are also known as stocks, accumulations, and levels. The thick arrows leading into and out of resources are called inflows and outflows. You may find many different activities influence a single flow. The only way you can change the level of a stock or resource is by doing something to increase the rate of inflow or slow the rate of outflow.

We try to be specific about labeling the rate of inflows and outflows. A rate is expressed as units per time period. For example, customers might terminate their relationship with your business at a rate of two per month.

Information travels along the skinny arrows in these diagrams. You might think of them as wires transmitting information about the level of a resource, the rate of a flow, or the value of a variable.

Resources or stocks can be tangible and countable, like clients, or they can be intangible and hard to measure, like trust. It isn't important to designate everything in your business as either

a resource or an activity. Often, it's useful to identify other variables as they relate to key resources and key activities. At the risk of stating the obvious, a variable is just something that can go up or down over time.

This so-called stock-flow type of representation is useful because it offers the opportunity to associate numbers and mathematical relationships with the icons. In turn, that enables us to simulate those relationships over time, and observe how performance plays out. That's what we mean by shifting from thinking in snapshots to thinking in movies.